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GENERAL DISTRIBUTORS OF CANADA LTD.

*Annual
Report*

FISCAL YEAR ENDED JANUARY 31, 1974

The Annual and Special General Meeting of Shareholders
will be held Monday, April 29, 1974 at 11:00 a.m. at
the Winnipeg Inn, Winnipeg, Man.

GENERAL DISTRIBUTORS OF CANADA LTD.

HIGHLIGHTS OF RESULTS

1974 FISCAL YEAR

	<u>1974</u>	<u>1973</u>	<u>Increase</u>
Sales	\$147,211,000	\$128,299,000	\$ 18,912,000
Net earnings for the year	5,172,000	4,850,000	322,000
Earnings per common share	.84	.80	.04
Merchandise inventories	28,501,000	23,984,000	4,517,000
Working capital	16,504,000	16,065,000	439,000
Number of common shareholders	1,123	1,114	9

GENERAL DISTRIBUTORS OF CANADA LTD.

Head Office: 1370 Sony Place, Winnipeg, Manitoba R3C 3C3

DIRECTORS

ALBERT D. COHEN	President, General Distributors Limited	Winnipeg, Man.
HARRY B. COHEN	Director, General Distributors Limited	Calgary, Alta.
JOHN C. COHEN	Director, General Distributors Limited	Toronto, Ont.
JOSEPH H. COHEN	Director, General Distributors Limited	Vancouver, B.C.
MORLEY M. COHEN	President, Metropolitan Stores of Canada Limited	Montreal, P.Q.
SAMUEL N. COHEN	Vice-Chairman of the Board, Metropolitan Stores of Canada Limited	Winnipeg, Man.
F. N. HUGHES	President, Oil Patch Industries Ltd.	Edmonton, Alta.
G. R. HUNTER, Q.C.	Partner, Pitblado & Hoskin	Winnipeg, Man.
S. R. LYON, Q.C.	General Counsel	Winnipeg, Man.
CAMERON G. MANN	President, Cam-Gard Supply Ltd.	Winnipeg, Man.

OFFICERS

ALBERT D. COHEN	President & Chief Executive Officer
HARRY B. COHEN	Vice-President
JOSEPH H. COHEN	Vice-President
JOHN C. COHEN	Secretary
SAMUEL N. COHEN	Treasurer
G. D. B. POFF, C.A.	Comptroller
S. R. LYON, Q.C.	General Counsel and Assistant Secretary
B. S. TONI	Assistant Secretary

CORPORATE INFORMATION

Registrar and Transfer Agent

THE CANADA TRUST COMPANY
232 Portage Ave., Winnipeg.

Auditors

COOPERS & LYBRAND
Richardson Bldg.
One Lombard Place, Winnipeg R3B 0X6

Stock Exchanges

Toronto and Vancouver

REPORT OF DIRECTORS

To the Shareholders of
General Distributors of Canada Ltd.

Your directors have pleasure in reporting that the year just concluded was one of steady growth and progress in the operations of the company. Record sales of Sony products were achieved during the year. The company's subsidiary, Metropolitan Stores of Canada Limited and its subsidiaries also recorded satisfactory gains. Notwithstanding uncertainties in the economy and increased costs of operation in all aspects of the company's business, the Board is pleased to be able to report improved results over those of the previous fiscal year.

SALES

Consolidated sales of the company for the year ended January 31st, 1974, were \$147,211,000, a 15% increase over consolidated sales of \$128,299,000 in the previous year.

EARNINGS

Consolidated net earnings of the company on operations for the 1974 fiscal year (after taxes) were \$5,172,000. This represents an increase of 7% over 1973 net earnings of \$4,850,000. Based on 6,124,380 common shares outstanding, earnings per share in 1974 were 84¢ compared to 80¢ in 1973.

CAPITALIZATION

As of June 20th, 1973, effect was given to the Supplementary Letters Patent which provided for the subdivision of each of the common shares without nominal or par value of the company into two shares. Throughout this report, earnings per share are restated on the basis of the 6,124,380 common shares now outstanding.

GENERAL DEVELOPMENT

RETAIL STORES

Metropolitan Stores of Canada Limited and its subsidiaries, Greenberg Stores Limited and Saan Stores Ltd., opened 17 new outlets during the past year totalling approximately 430,000 sq. ft. of gross space. Of the nine new Met stores, the majority were located in shopping malls where the company's junior department outlet became the anchor store with from 35,000 to 50,000 sq. ft. of gross floor space in well lit, air-conditioned premises, displaying a variety of quality merchandise at reasonable prices. Metropolitan's consolidated sales for the year increased by 11% with net earnings applicable to common shares of \$3,573,000 which was 7% higher than the net earnings in 1973.

For the current year, the company is planning to open a further ten Met stores, five Saan stores and two Greenberg stores, all strategically located across Canada.

A copy of Metropolitan's annual report will be forwarded on request.

CAM-GARD SUPPLY LTD.

The past year saw the completion of construction and occupancy by Cam-Gard of its new head office and warehouse facility in Winnipeg. Made up of 54,000 sq. ft. of office, warehouse and merchandising area to serve Western Canada and the Thunder Bay area, the new complex was officially opened on November 5th, 1973. The new facility is contemporary and functional in design and will greatly facilitate control and handling of inventory to serve the company's eight outlets in Western Canada and four in the Maritime provinces. Ample space is available on the six acre site for future expansion of the premises when required.

SONY

Sony Trinitron color television receiver sales contributed the largest share of total Sony sales in the past fiscal year. Gains were recorded in sales of all screen sizes and in particular, the 17-inch set. The two 15-inch screen size models introduced this year were well accepted, as well as the 17-inch Trinitron with remote control.

In the current fiscal year, a new 19-inch screen size wide angle model will be introduced to the market. The deflection angle of the picture tube (114°) is the widest in the industry. It contributes to a shallower depth of cabinet and a brighter color picture. A new 114° deflection 17-inch model will also be in the Sony Trinitron line up this year.

Color television will continue to be a major factor in Sony sales, as consumer demand is expected to remain high.

Sony hi-fi components remain a high growth category with packaged systems, AM-FM receivers and speakers showing large increases. It is expected that the Sony hi-fi line will show continued growth with emphasis on high quality.

Sony tape recorders in 1974 will include special refinements in advanced electronics. Cassette tape recorders are improved and will take over a larger share of the recorder market in the higher price range.

A new double coated recording tape will be introduced in cassette form. The tape will combine chromium dioxide and gamma ferric oxide coatings to improve recording quality, and make it more comparable to that of reel to reel recorders.

Sony radios, radio cassette combinations and miscellaneous products are expected to produce normal gains with greater sales emphasis expected in the radio cassette recorder combination category.

SONY CHEMICAL PRODUCTS

In 1974 it is planned to introduce merchandising displays of Sony chemical adhesives under the name of Sony Bond.

BRANCH DEVELOPMENT

In the fall of 1973, General Distributors Limited occupied its new Ontario office and warehouse distribution centre located on Gordon Baker Road in Willowdale, Ontario. The 60,000 sq. ft. complex is located on a 3½ acre site in the centre of the Parkway-Finch Industrial Park. The design concept provides for warehouse, service department, office space and staff facilities in an integrated structure minimizing movement of personnel and product on one level. The addition of this new complex to the Sony distribution chain across Canada has already demonstrated marked improvements in the handling and distribution of product to dealers and retail outlets in Canada's most populous market. The official opening of the new Ontario distribution centre will take place on Friday, May 3rd, 1974.

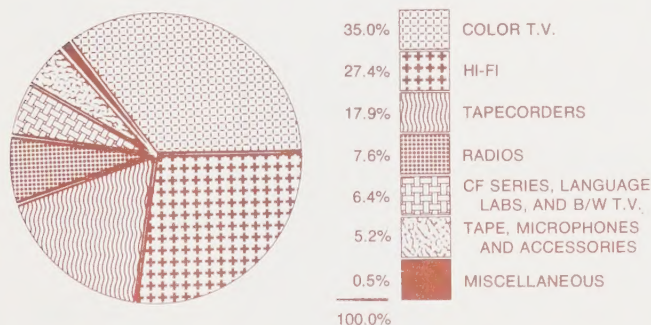
To keep pace with the growth of Sony sales in Alberta, General Distributors Limited opened an Edmonton branch on September 10, 1973. Made up of more than 10,000 sq. ft. of leased office, warehouse, and service facility, the Edmonton premises are situated at 11245 - 120th St. in that city.

DEALER DELIVERY SERVICE

To expedite movement of Sony products to dealers across Canada, General Distributors Limited is planning to introduce this year a fleet of suitably identified Sony panel trucks. It is planned to introduce this service first in Toronto, Winnipeg and Vancouver and other major market areas at a later date.

SALES

The chart below indicates the division of Canadian sales by product in the past fiscal year:



GENERAL

World-wide shortage of materials and the impact of the energy crisis and inflation on the Japanese market could result in higher prices for most items in the company's Sony product line during the forthcoming year. It should be noted that, in spite of the general price increases brought about last year by world monetary changes, the Canadian consumer demand for Sony products continued at a high level. Your Board remains confident that a rising demand for Sony products, particularly Trinitron T.V., will be maintained during the current year.

OUTLOOK

A continuation of present levels of consumer spending is anticipated at least for the first half of the current fiscal year. While competition for the sales dollar is increasing in the junior department store field, the company's selective choice of new outlets and its ability to provide quality merchandise in new and upgraded stores has proven successful.

Subject to stability in the economy, the Board is optimistic that the current year will see a continuation of steady growth in all parts of the company's operations.

IN APPRECIATION

Your Board extends to the company's staff, suppliers, customers and shareholders, and to the Sony Corporation, its grateful acknowledgement of their support which has helped make possible the improved results recorded in this report.

Winnipeg, Manitoba.
March, 1974.


President.

**GENERAL DISTRIBUTION
AND SUBSIDIARIES**
CONSOLIDATED BALANCE SHEET

ASSETS

	1974 \$	1973 \$
CURRENT ASSETS		
Cash and short-term deposits	698,189	646,160
Receivables (note 2)	10,158,365	8,030,407
Inventories — at the lower of cost or net realizable value	28,500,875	23,984,267
Prepaid expenses	718,309	573,337
	<u>40,075,738</u>	<u>33,234,171</u>
 INVESTMENTS — at cost		
Sony Corporation — common shares (quoted value \$4,388,000; 1973 — \$7,450,000)	560,698	560,698
Advances and sundry investments	215,065	124,690
	<u>775,763</u>	<u>685,388</u>
 FIXED ASSETS		
Land — at cost	7,005,173	6,398,196
Buildings, fixtures and equipment — at cost, less accumulated depreciation (note 3)	16,481,506	12,625,927
Leasehold improvements — at cost, less amortization	1,552,318	1,634,974
	<u>25,038,997</u>	<u>20,659,097</u>
 OTHER ASSETS		
Deferred charges — at cost, less amortization	182,219	187,805
Excess of purchase price of subsidiaries over equity in net assets at date of acquisition	3,122,108	2,998,006
	<u>3,304,327</u>	<u>3,185,811</u>
	<u>69,194,825</u>	<u>57,764,467</u>

Signed on behalf of the Board ALBERT D. COHEN
DIRECTORS
SAMUEL N. COHEN

**S OF CANADA LTD.
COMPANIES**

T AS AT JANUARY 31, 1974

LIABILITIES

	1974 \$	1973 \$
CURRENT LIABILITIES		
Bank advances (note 2)	6,951,637	2,488,086
Notes payable	2,000,000	600,000
Accounts payable and accrued liabilities	12,643,989	11,372,894
Dividends payable	178,058	146,755
Income and other taxes	1,699,899	2,265,834
Long-term debt instalments due within one year	97,800	295,467
	<u>23,571,383</u>	<u>17,169,036</u>
LONG-TERM DEBT (note 4)	4,032,687	5,056,714
DEFERRED INCOME TAXES	749,500	681,365
MINORITY INTEREST IN NET ASSETS OF SUBSIDIARY COMPANIES	14,847,410	14,056,236
	<u>43,200,980</u>	<u>36,963,351</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Authorized — 10,000,000 shares without nominal or par value		
Issued and fully paid — 6,124,380 shares (1973 — 6,118,040 shares)	5,442,366	5,421,746
RETAINED EARNINGS	20,551,479	15,379,370
	<u>25,993,845</u>	<u>20,801,116</u>
	<u>69,194,825</u>	<u>57,764,467</u>

**GENERAL DISTRIBUTORS OF CANADA LTD.
AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED JANUARY 31, 1974**

	1974 \$	1973 \$
SALES (note 9)	147,210,903	128,299,357
COST OF GOODS SOLD AND OPERATING EXPENSES (notes 6 and 8)	132,850,947	115,331,645
	<u>14,359,956</u>	<u>12,967,712</u>
PROVISION FOR INCOME TAXES		
Current	7,136,865	6,117,393
Deferred	51,135	86,807
	<u>7,188,000</u>	<u>6,204,200</u>
	7,171,956	6,763,512
MINORITY INTEREST IN NET EARNINGS OF SUBSIDIARY COMPANIES	1,999,847	1,913,076
NET EARNINGS FOR THE YEAR	5,172,109	4,850,436
RETAINED EARNINGS — BEGINNING OF YEAR	15,379,370	10,528,934
RETAINED EARNINGS — END OF YEAR	<u>20,551,479</u>	<u>15,379,370</u>
EARNINGS PER SHARE (note 10)	\$.84	\$.80

**CONSOLIDATED STATEMENT OF SOURCE AND USE OF WORKING CAPITAL
FOR THE YEAR ENDED JANUARY 31, 1974**

	1974 \$	1973 \$
SOURCE OF WORKING CAPITAL		
Earnings before minority interest	7,171,956	6,763,512
Items not affecting working capital —		
Depreciation of fixed assets and amortization of leasehold improvements and deferred charges	2,198,163	1,859,552
Deferred income taxes	68,135	86,807
Provided from operations	9,438,254	8,709,871
Proceeds from issue of shares	27,820	86,528
Realization of investments and advances	—	14,181
Mortgage proceeds	—	38,497
	<u>9,466,074</u>	<u>8,849,077</u>
USE OF WORKING CAPITAL		
Payment of long-term debt including purchase of sinking fund bonds of subsidiary company — net	1,024,027	562,543
Additions to fixed assets — net	6,384,787	3,015,048
Shares of subsidiary companies acquired for cash	443,385	91,281
Investments and advances	90,375	—
Deferred charges incurred	187,690	231,310
Preferred dividends of subsidiary company	290,179	311,907
Common dividends of subsidiary company	325,011	269,625
Redemption of preferred shares of subsidiary company	281,400	337,160
	<u>9,026,854</u>	<u>4,818,874</u>
INCREASE IN WORKING CAPITAL	439,220	4,030,203
WORKING CAPITAL — BEGINNING OF YEAR	16,065,135	12,034,932
WORKING CAPITAL — END OF YEAR	<u>16,504,355</u>	<u>16,065,135</u>

GENERAL DISTRIBUTORS OF CANADA LTD. AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JANUARY 31, 1974

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the assets, liabilities and operating results of all subsidiary companies from the dates of acquisition.

2. BANK ADVANCES

Bank advances are secured by the assignment of receivables of certain subsidiary companies.

3. FIXED ASSETS

Buildings, fixtures and equipment and related accumulated depreciation are classified as follows:

	1974			1973
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Buildings	12,992,257	3,387,866	9,604,391	7,308,364
Fixtures and equipment	15,707,087	8,829,972	6,877,115	5,317,563
	<u>28,699,344</u>	<u>12,217,838</u>	<u>16,481,506</u>	<u>12,625,927</u>

4. LONG-TERM DEBT

The long-term debt is classified as follows:

	1974 \$	1973 \$
Metropolitan Stores of Canada Limited — bank loan secured by a first mortgage, refinanced during the year.	—	600,000
Metropolitan Stores of Canada Limited — 6½% first mortgage sinking fund bonds, Series "A", having a sinking fund requirement of \$290,000 in 1974 with progressively increasing annual requirements to a final maximum payment of \$540,000 in 1984. (At January 31, 1974, bonds with a value of \$794,000 had been purchased in advance of requirements.)	3,641,000	4,166,000
Metropolitan Stores of Canada Limited — 6¾% mortgage repayable by 1984 in monthly instalments of principal and interest of \$3,759	330,664	352,950
Metropolitan Stores of Canada Limited — 6% mortgage repayable in annual instalments of principal of \$20,000	60,000	80,000
Greenberg's Department Stores (1962) Ltd. — 5% unsecured notes repayable by 1975 in annual instalments of principal of \$40,000	80,000	120,000
General Distributors of Canada Ltd. — 6% mortgage repayable by April 1975 in monthly instalments of principal and interest of \$1,227	18,823	33,231
	<u>4,130,487</u>	<u>5,352,181</u>
Less: Instalments due within one year	97,800	295,467
	<u>4,032,687</u>	<u>5,056,714</u>

5. CAPITAL STOCK

- (a) During the year the company obtained supplementary letters patent increasing its authorized capital stock from 5,000,000 common shares to 10,000,000 common shares without nominal or par value and the subdivision of each of the authorized common shares into two common shares. As a result of this subdivision, the 50,000 unissued common shares which the company had previously reserved for stock options are now represented by 100,000 common shares.

At January 31, 1974 options had been exercised on 90,380 shares, of which 6,340 shares were issued during the year for a cash consideration of \$20,620 on exercise of stock options.

As at January 31, 1974 the company has granted options, all of which expire prior to September 1, 1977, to purchase unissued common shares at prices ranging from \$3.25 to \$14.85 per share, being 90% of the market price on the dates of granting options to:

	Unissued shares
Directors and officers	800
Other employees	8,760
	<u>9,560</u>

A further 60 shares are available for allocation as provided in the plan.

- (b) Metropolitan Stores of Canada Limited, a subsidiary company, has reserved 54,600 unissued common shares for stock options.

As at January 31, 1974 the company has granted options, all of which expire prior to February 2, 1978, to purchase unissued common shares at prices ranging from \$16.20 to \$19.69 per share, being 90% of the market price on the dates of granting the options to:

	Unissued shares
Directors and officers	39,000
Other employees	6,600
	<u>45,600</u>

**GENERAL DISTRIBUTORS OF CANADA LTD.
AND SUBSIDIARY COMPANIES**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED JANUARY 31, 1974

6. COST OF GOODS SOLD AND OPERATING EXPENSES

The following expenses (income) are included:

	1974	1973
	\$	\$
Depreciation of fixed assets and amortization of leasehold improvements	2,004,887	1,739,908
Amortization of deferred charges	193,276	119,644
Interest on long-term debt	294,908	354,507
Income from investments	(15,829)	(11,549)

7. LEASE COMMITMENTS

Rentals paid on property leases for the year ended January 31, 1974 amounted to \$4,890,000 (1973 — \$4,154,000). Minimum annual rentals in subsequent years on long-term property leases, the longest of which will expire in 1999, in effect at January 31, 1974 are:

Year ended January 31,	Minimum annual rental
	\$
1975	3,715,000
1976	3,515,000
1977	3,382,000
1978	3,247,000
1979	2,982,000

Certain of these leases provide for additional rental based on sales. In addition, there are leases where rentals are based entirely on sales.

8. REMUNERATION OF DIRECTORS AND OFFICERS

	1974		1973
	10 Directors	7 Officers	9 Directors
	(6 officers were		6 Officers
	also directors)		(4 officers were
	\$	\$	also directors)
			\$
Remuneration paid by:			
General Distributors of Canada Ltd.	10,000	5,000	1,800
General Distributors Limited	—	266,850	—
Cam-Gard Supply Ltd.	—	46,000	—
Saan Stores Ltd.	—	76,860	—
Metropolitan Stores of Canada Limited	6,000	149,600	6,000
	<u>16,000</u>	<u>544,310</u>	<u>7,800</u>
			<u>515,500</u>

9. DIVERSIFIED OPERATIONS

Gross revenue by class of business was as follows:

	1974	1973
	\$	\$
Sony and other electronic products	50,771,429	41,145,932
Junior department and variety stores	96,439,474	87,153,425
	<u>147,210,903</u>	<u>128,299,357</u>

10. EARNINGS PER SHARE

Earnings per share are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years. There would be no significant reduction of net income per share if all of the options described in note 5 had been exercised.

The 1973 earnings per share have been restated as a result of the stock split referred to in note 5.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of General Distributors of Canada Ltd. and its subsidiary companies as at January 31, 1974 and the consolidated statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial state-

ments present fairly the financial position of the companies as at January 31, 1974 and the results of their operations and the source and use of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 22, 1974
Winnipeg, Manitoba

COOPERS & LYBRAND
CHARTERED ACCOUNTANTS

